

TOP SECRET

31 July 1954

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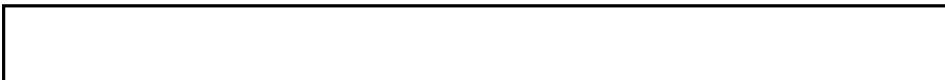
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



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State Department review completed

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GENERAL

25X1A 1. Attempts to lift UN embargo against China foreseen:

The American UN delegation believes that pressure may develop at the Ninth General Assembly, which opens on 21 September, to lift the UN embargo on strategic shipments to Communist China.

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Comment: The UN embargo resolution of May 1951 added considerable moral weight to trade control measures fostered by the United States; it was based directly on the February 1951 resolution naming Communist China the aggressor in Korea.

Pressure for relaxing China trade controls was noted in the recently concluded COCOM review meetings. A move to discuss these controls was deferred, however, until September.

SOUTHEAST ASIA

25X1A 2. Viet Minh held to have high subversive potential in Laos:

Jean Cousseau, a leading official French expert on Indochina, says there are between 80,000 and 100,000 Viet Minh adherents in Laos. Cousseau told an

American embassy official in Saigon that the greatest danger of subversion, however, comes from a small group of carefully selected

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Viet Minh agents infiltrated by Ho Chi Minh several years ago. These men have assumed Laotian names, speak the language, and are highly successful among the politically naive Laotians.

Comment: Cousseau's estimate on the number of Viet Minh adherents in Laos is much higher than others.

The American chargé in Vientiane reports that the Laotian cabinet, since the Geneva conference, has been unable to unite on a strong point of view. He believes there is a danger of relaxation with a consequent loss of control to the subversives.

3. Ceylon delays decision on SEATO:

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Ceylon's prime minister told Ambassador Crowe on 29 July that he personally favored the establishment of a Southeast Asian treaty organization, but wanted to

get the views of the other Colombo powers before making a decision. He said that India and Indonesia had already cabled they would not support SEATO, and Burma and Pakistan had not yet stated their views. The ambassador feels Ceylon may join if Pakistan does, and if Burma does not oppose the arrangement.

Comment: Domestic considerations will probably prevent Ceylon from becoming a charter member of SEATO.

Thailand and the Philippines are the only Asian countries now committed to join SEATO. Responsible Pakistani officials have not yet been contacted by the American embassy in Karachi, which believes Pakistan is favorably disposed toward participation. The Burmese have repeatedly stated they will not join an organization, but have indicated they would be pleased to see it established.

NEAR EAST - AFRICA

4. Arab officials make unprecedented suggestion on refugee problem:

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[REDACTED] Two Arab officials at the UN, Asha of Syria and Khalidy of Iraq, suggested to American UN delegate Wadsworth that Arab refugees not wishing to return to Israel be provided with adequate compensation.

Wadsworth believes this is the first time the Arabs have made such a suggestion on their own initiative. He says it raises some hope of general Arab acceptance of the principle of compensation rather than of repatriation.

The American UN delegation believes this is the time to press Israel for a positive response to repeated UN requests for its views on implementing its previous offer to negotiate on compensation.

Both Asha and Khalidy stated that the Suez settlement, arms aid to Iraq, and Department of State support of recent speeches by Assistant Secretary of State Byroade have convinced them that American policy toward Israel and the Arab states has changed. They believe that the United States now has the best opportunity since 1948 to capitalize on its newly gained influence.

Comment: The Arabs would try to set a high price for yielding on repatriation, and Israel is probably unable to meet that price with its own financial resources.

5. Egyptian Moslem Brotherhood attacks Suez base agreement:

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[REDACTED] The executive council of the Moslem Brotherhood met on 29 July and decided to oppose the Suez agreement, according to press reports from Cairo and Beirut.

Hasan Hudaibi, head of the Brotherhood,

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condemned the agreement as "tying Egypt to the Western camp." He declared that the agreement had given Britain a five-year extension of its 1936 treaty, which expires in 1956.

According to a press report from Cairo, a spokesman for the Brotherhood stated that since the Nasr regime would not permit publication of the decision, arrangements had been made to distribute pamphlets secretly throughout Egypt.

Comment: This is the first indication that important antiregime factions may attack the Suez agreement. The fanatic Brotherhood with some 500,000 members is capable of initiating serious activities against the regime.

WESTERN EUROPE

25X1A 6. French Foreign Ministry favors delaying reply to Soviet note:

Ambassador Dillon reported on 28 July the French Foreign Ministry is inclined to think that the reply to the Soviet note of 24 July should not be delivered until about 25 August, after the EDC debate. Dillon later reported that delays in the preparation of the government's economic program might throw off Mendes-France's EDC schedule.

According to Ambassador Aldrich in London, the British Foreign Office believes that because of the possible effects on the French EDC debate, French views on timing should determine the date of the reply.